PRESS RELEASE

BANCO'S BOARD OF DIRECTORS APPROVES

THE BANCO DESIO GROUP'S 2021-2023 BUSINESS PLAN

Streamlining, specialisation and proactive risk management push the ROE target to 5.4% and the C/I ratio to 62% with capital strength and TCR over 12% in 2023.

On 17 December 2020, the Board of Directors of Banco di Desio e della Brianza S.p.A. ("Banco") approved the Group's Business Plan ("Plan") for the three-year period 2021 – 2023.

Banco's Board of Directors retained that the requirements for the approval of the Plan have been met, even within an uncertain macroeconomic scenario, also given the very positive response to negative external events demonstrated by the company organisation and its customer base in 2020.

In 2020, Banco **was able to provide support to customers that were experiencing economic-financial difficulties by successfully implementing initiatives to strengthen its capital stability and the Income Statement**, the effects of which will be reflected to an even greater extent in future years.

More specifically, the initiatives launched, which have partly been completed, while the remainder will be finalised in the first few months of 2021, can be divided into tactical projects, whose aim is to tackle and minimise the effects of the negative economic situation caused by the pandemic, by:

- Optimising Costs
- Revising the range of banking products and strengthening the multi-channel approach
- Providing support to businesses (around EUR 2 billion in loans under the "Liquidity Decree")
- Optimising funding

and strategic initiatives, forerunners of the Business Plan, which entail:

- A new service model, and the segmentation of local areas
- Restyling banking products
- Reorganising the Commercial Department
- Approving the Plan for voluntary retirement and personnel retraining
- Rendering processes more efficient and streamlined
- Complying with the highest European sustainability standards (ESG) by observing Guidelines on Group Corporate Social Responsibility

The 2021-2023 Business Plan

In line with the Banco Desio Group's recent history, the Business Plan confirms its intention to strengthen efforts to **renew and refocus the Bank's business model**. Banco's mission will continue to revolve around its customers, seeking to provide support to households and to SMEs in their businesses and in managing their assets, with a planned increase in loans (+ 2.4% vs. market 1.7%) and asset management (+9% vs. market 5.1%).

Through the new Business Plan, Banco will strengthen its economic sustainability by bringing the **main profitability ratios (ROE to 5.4%; cost/income ratio at 62%)** in line with the best performances in the Industry, while maintaining its **focus on the quality of loans (NPL Ratio at 5.5%)**.

In terms of capital, Banco continues to be able to **maintain a level of CET1 significantly above SREP requirements** (CET1 fully loaded 2023: 10.4%), in a particularly complex and challenging scenario.

The objective for the next three years is to streamline the structure of the Banco Desio Group to render it even more independent, enabling it to compete with the top medium-sized banks in terms of capital solidity, economic resilience and the quality of the services it provides to its customers.

Its business strategy is based on three main pillars, and will entail structural changes to wealth management and corporate customers, with a geographic strategy that is more focused on the Bank's historical areas of operation and a strong focus on the growth of its subsidiary company Fides (CQS and Consumer Credit)

In terms of technological and organisational change, the Plan incorporates the following enabling factors for its commercial strategy:

- **responsible technological development with a view to improve and streamline** IT and operational processes to rebalance the weight between administrative and commercial activities
- **a strong focus on human capital** thanks to continuous dialogue with Group employees and the launch of new incentive and training programmes incorporating diversities as an element of added value to achieve strategic objectives in accordance with ESG guidelines.

Distribution Model

To be increasingly proactive in its response to the needs of its customers, primary importance will be given to the development of the Distribution Model, to be implemented through an integrated "multi-channel" approach, offering our customers each product/service through the desired channel and with increasingly flexible methods.

The reorganisation of the commercial network is considered particularly important, envisaging a **different segmentation/Wealth Management and Corporate coverage model**, consequently revising commercial positions and seeking synergies between Private and Corporate customer managers, with a view to identifying the financial needs of businesses, through a structured commercial process, with specific objectives and monitoring.

The distribution network will become more efficient also by rationalising and consolidating local operations, which will be implemented by **grouping together/closing 25 branches** and through **commercial efforts to relaunch performance in areas that make a smaller contribution to the Group**.

Receivables

In accordance with the best ESG standards, the Banco Desio Group considers the integration of the topics of Corporate and Social Responsibility in the credit process a decisive factor in pursuing the creation of economic-financial value and, at the same time that of the social and environmental dimensions.

In the three-year period, loans are expected to increase specifically in the following segments: residential mortgages (+5%), loans to SMEs (+8.5%), agricultural loans and consumer credit, a targeted reduction of exposure relating to Corporate customers with high capital absorption and limited profitability is envisaged.

With regard to consumer credit, the Plan envisages a significant development programme for the subsidiary company **Fides Spa, which will lead the same to become the "factory" of consumer lending products** for the Group (+11% over the period of the Plan), also due to the launch of the distribution of personal loans through a proprietary network of agents.

Credit risk management deserves separate attention. Given the Market scenario and in line with previous years, the Business Plan envisages the further strengthening of control systems, credit quality and the monitoring of the performance of customer loans, including a specific proactive risk management programme for segments and counterparties identified as having a greater level of risk, and sales of Non-Performing Loans (EUR 245 million) with a view to contributing to the improvement of the Gross NPE/Total Gross Loans over the three-year period, aiming for 5.5% and that of Net NPE/Total Net Loans at a figure close to 3%.

Funding

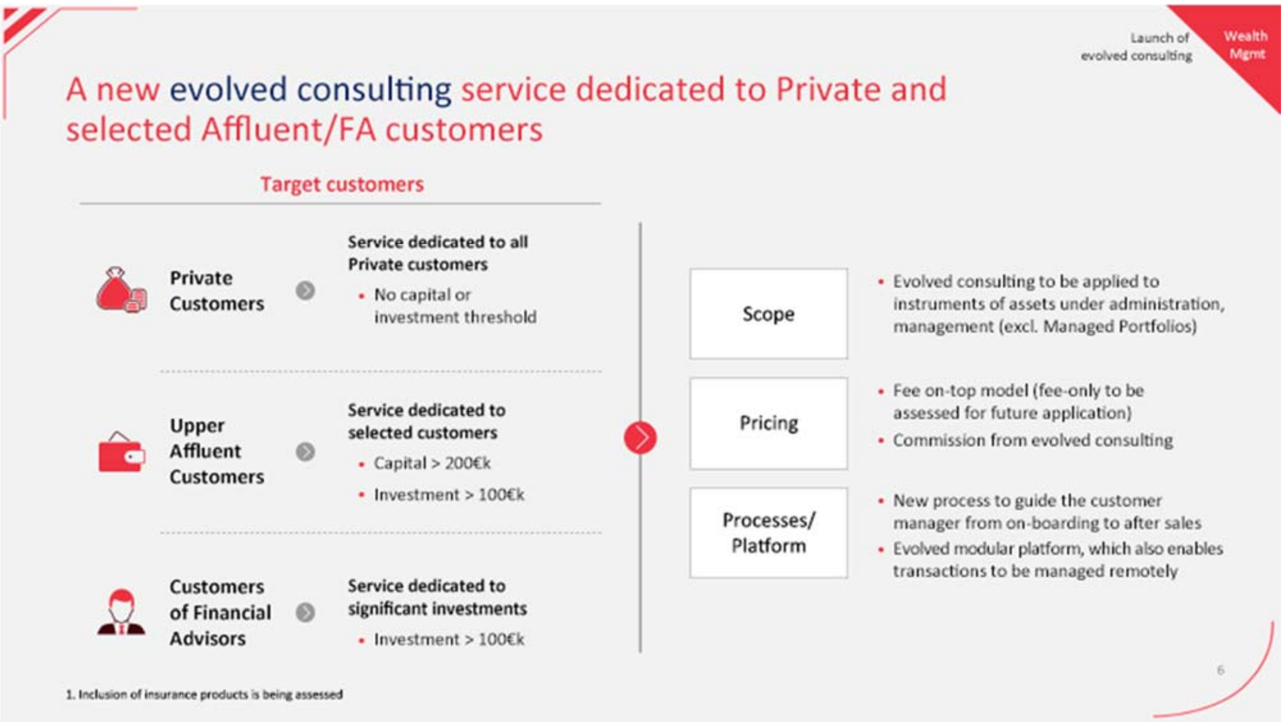
The Plan envisages maintaining solid liquidity and supporting the increase in loans thanks to the proven stability of Retail funding and an astute structural funding policy, which in accordance with the Plan, is achieved through the placement of medium-term financial instruments (including covered bonds) as well as the targeted and increased participation in the industry's refinancing programmes organised by the European Central Bank (TLTRO).

Brokerage and Placement of Third-Party Products

In an environment of structurally compressed financial margins, considerably boosting all brokerage activities represents the Group's strategic challenge to **increase the margin from services**.

The envisaged increase in managed assets (CAGR 21-23 indirect deposits >5%) will be driven by **the expansion of the Wealth Management and Bancassurance business lines,** which will benefit from targeted investments in terms of professionalism and technology and by a personnel training programme, which will be facilitated by a plan to digitalise and automate processes.

In this regard, special attention will be paid to the “evolved consulting” services provided to Private and upper affluent customers, which will enable the **service to the customer to be improved** as their specific needs will be handled and fulfilled by dedicated staff.



Financials

The key figures generated by the assumptions of economic and financial growth resulting from the planned actions outlined in the 2021-2023 Business Plan, have been calculated considering a conservative macroeconomic forecast scenario, which encompasses a prediction of the future impact of the COVID-19 emergency. This is reflected particularly by credit risk figures.

Indications for trends in volumes and interest rates were taken from recent sector studies and forecasts of specialised companies, appropriately adjusted to the Group's situation in the specific reference markets.

Volumes and assets

At consolidated level, the increases in assets envisaged in the Plan over the course of the 2021-2023 three-year period are summarised below:

Maintenance of the **securities portfolio** consistent with an adequate mix of returns and duration.

Increase of **loans to customers** (2.3% CAGR 2020-23) sustained by an increase of loans to SMEs, balanced by a gradual decrease of loans to corporate customers.

Ambitious promotion of specialist services (e.g. factoring) to improve RARORAC and RWA density

Higher volumes of consumer finance products (particularly Personal Loans) by expanding Fides (In-House factory model for consumer credit).

Direct deposits from stable customers over the course of the plan with a switch from expiring direct deposits to term deposits and indirect deposits.

Increased participation in the TLTRO programme to guarantee the expected increase of loans and to optimise funding costs.

Improvement of **capital ratios** in a scenario of macroeconomic uncertainty and strategic reorientation.

	€Mld	2019	2023	CAGR 19-23
Balance Sheet	Loans to Customers	9.6	11.1	3.7%
	Due to Banks	1.6	3.0	17%
	Due to Customers	11.2	11.3	-0.5%
	Indirect Deposits	15.6	17.6	3.1%
KPI	Gross NPL Ratio (%)	5.5%	5.5%	Unchanged
	Coverage of Non-Performing Loans (%)	45.5%	46.3%	+1.3
	CET1 Ratio Holding (fully)	9.7%	10.4%	+0.7
	TCR Ratio Holding (fully)	11.7%	12.1%	+0.4

Profitability

From an income perspective, the Business Plan is characterised by **strong revenue generation** (CAGR 21-23 **Net interest and other banking income** >4%) with an interest margin that is 3.9% higher and a net improvement (business with ordinary customers) of the **weight of the commission component** with respect to the net interest margin, obtained thanks to the increased importance of the Wealth Management and Bancassurance segments and to the offer of higher value additional services (e.g. evolved consulting).

The expected increase in revenues enables the higher **cost of credit** to be covered, which, to be maintained substantially in line with current coverage levels, **is retained to be around 100 b.p. in the 2021/22 two-year period**, with an appreciable improvement only from 2023. The **proactive management of the NPL portfolio will be an area of specific attention**, also through an important plan of targeted sales (EUR 245 million over the course of the plan).

Personnel costs are expected to **progressively decrease due to savings** resulting from the reduction of the workforce (-175 resources), which more than offsets the additional costs of strengthening the organisational structure (+60 resources).

Other Administrative Costs are substantially stable due to the combined effect of the planned initiatives to a) render the organisational structure more efficient b) renegotiate contracts with specific suppliers c) targeted and rigorous cost management and procurement activities, which will balance out the costs resulting from the additional investment needed to sustain the plan for commercial development and to improve the Bank's operating processes.

	€M	2019	2023	CAGR 19-23
Income Statement	Net interest and other banking income	390	449	3.6%
	Operating costs	-278	-280	0.2%
	Adjustments for credit risk	-53	-89	14%
	Profit before tax	58	81	8.7%
	Net profit	40	54	7.8%
KPI	RoE (%)	4.3%	5.4%	1.1 p.p.
	Cost/Income Ratio (%)	71%	62%	-9 p.p.
	Cost of credit (%) – Vers. BKI	0.57%	0.80%	+0.23

Desio, 17 December 2020

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